

Capital Market Overview

Equity markets advanced in the third quarter as the economy continued to grow moderately while inflation pressures and labor markets cooled enough to trigger an interest rate cut. The Federal Reserve reduced the fed fund's rate by half a percentage point in September bringing the target to 4.75%-5.00%. This much anticipated pivot on interest rates also propelled the bond market during the quarter. Bond prices rose and yields fell in June and July as the outlook for rate cuts became clearer. The yield on the 10-year Treasury note fell from 4.48% at the beginning of July to 3.75% by the end of the quarter. The slope of the yield curve normalized as short term bond yields fell the most. There have been big changes in expectations about the timing and size of interest rate cuts throughout the year. In January the market was expecting as many as six rate cuts for 2024, however, that has now shifted to maybe just three.

The third quarter witnessed a rotation out of large technology stocks. Microsoft, Nvidia, Alphabet, and Amazon underperformed while value stocks and small cap companies advanced sharply during the period. The Russell 3000 Value Index gained 9.47% and significantly outperformed the Russell 3000 Growth Index return of 3.42% in the quarter. The small cap Russell 2000 Index produced a return of 9.27% compared to the large cap Russell 1000 Index return of 6.08%. Dividend-paying stocks also outperformed the broader market for the quarter.

In terms of sector leadership, Utilities and Real Estate were the top performers for the quarter, followed by Financials, Industrials and Materials. Technology, Communication Services lagged, and Energy was the lone negative returning sector for the period.

Performance Commentary

The Buffalo Growth and Income Fund posted a return of 7.14% during the quarter, outperforming the Russell 1000 index return of 6.08%. The fund's exposure to Communication Services, Energy, Financials, Health Care, Materials, Real Estate, and Utilities provided constructive performance relative to the index. While the portfolio's investments in the Consumer Discretionary, Consumer Staples, Industrials, and Information Technology segments detracted from the relative performance.

Average Annualized Performance (%)

As of 9/30/24	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFDX	30.71	11.23	14.42	11.98	13.29
Institutional Class - BUIDX ¹	30.88	11.39	14.59	12.14	13.46
Russell 1000 Index	35.68	10.83	15.64	13.10	14.58

¹For performance prior to 7/1/19 (Inception Date of Institutional Class), performance of the Investor Class shares is used and includes expenses not applicable and lower than those of Investor Class shares. Data represented reflects past performance and is no guarantee of future results. Data represented reflects past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Current performance may be lower or higher than the performance quoted. Performance current to the most recent month end may be obtained by visiting the Funds' website at buffalofunds.com.

↑ Top Contributors

Specific securities that contributed most positively to performance included **Viper Energy Inc.**, **Meta Platforms Inc.**, and **Vistra Corp. (VST)**. Viper Energy Inc., which owns oil and gas royalty interests, rose on strong earnings and a boost in its energy production forecast. Meta Platforms Inc., the parent company of Facebook, gained as quarterly results came in ahead of estimates as investment in AI (artificial intelligence) improved, driving engagement and advertising. Vistra, a utility power company, has become an AI beneficiary as the expected growth in data centers should increase demand for electricity.

Fund Facts

	Investor	Institutional
Ticker:	BUFDX	BUIDX
Inception Date:	12/3/12	7/1/19
Expense Ratio:	0.94%	0.79%
Fund Assets:	\$164.79 Million	
Category:	Large Cap Blend	
Benchmark:	Russell 1000 Index	

Management Team



Paul Dlugosch, CFA
Co-Manager since 2013
B.S. – University of Iowa



Jeff Sitzmann, CFA
Co-Manager since 2018
M.B.A. – Univ. of Chicago
B.B.A. – Univ. of Toledo



Jeff Deardorff, CFA
Co-Manager since 2018
B.S. – Kansas State Univ.

Top 10 Holdings*

Microsoft Corporation	5.11%
Meta Platforms, Inc.	4.11%
Apple, Inc.	4.01%
Viper Energy, Inc.	3.45%
Visa, Inc.	2.08%
Royal Caribbean Group (6.0%, 8/15/25)	1.99%
S&P Global, Inc.	1.95%
Arthur J. Gallagher & Co.	1.84%
Eli Lilly and Company	1.75%
UnitedHealth Group, Inc.	1.75%
Top 10 Holdings Total	28.05%



↓ Top Detractors

Meanwhile our investments in **Lamb Weston Holdings, Microsoft, and Qualcomm** were the most significant detractors from performance during the period. Lamb Weston, which produces frozen potato products, declined when it reduced its outlook for the year due to lower restaurant traffic as consumers cut back on dining out. Microsoft, the computer software and services company, declined after it missed lofty expectations on Cloud revenue growth and concerns that capital spending on AI is not producing a growth inflection. Finally, shares of the semiconductor company Qualcomm fell on concerns that trade restrictions on chip sales to China would negatively impact growth and investor disappointment that the company has not raised its financial guidance.

Outlook

Despite the uncertainty created by the timing of the next rate move by the Federal Reserve and other factors like geo-political tensions, we remain focused on wide moat, large capitalization companies trading at reasonable valuations, in our view. As always, the fund will continue to emphasize competitively advantaged companies that can be purchased at a fair value, in our opinion. As stock market volatility spikes, we will look for opportunities to find companies that fit our investment criteria, as we continue to follow our process of finding new investment ideas and to be ready when market declines provide better entry points. ▲

Interested in more info?

For questions or to speak with a relationship manager about adding any of the 10 Buffalo Funds to your portfolio, contact:

Christopher Crawford
ccrawford@buffalofunds.com
(913) 647-2321

Scott Johnson
sjohnson@buffalofunds.com
(913) 754-1537

The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The summary and statutory prospectuses contain this and other important information about the investment company and can be obtained by calling (800) 49-BUFFALO or visiting buffalofunds.com. Read carefully before investing.

Mutual Fund investing involves risk. Principal loss is possible. The Fund invests in U.S. based companies with substantial interests outside of the U.S. which may involve additional risk such as greater volatility and political, economic and/or currency risks. This risk is greater in emerging markets. The Fund may invest in convertible securities which may be influenced by changing interest rates and the credit standing of the company. The Fund invests in smaller companies, which involves additional risks such as limited liquidity and greater volatility than larger companies. Earnings growth is not representative of the Fund's future performance.

Effective 7/29/24, the Buffalo Dividend Focus Fund is the Buffalo Growth & Income Fund.

The opinions expressed are those of the Portfolio Managers and are subject to change, are not guaranteed and should not be considered recommendations to buy or sell any security. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security. The S&P 500 Index is a capitalization weighted index of 500 large capitalization stocks which is designed to measure broad domestic securities markets. The Nasdaq Composite Index is a market capitalization-weighted index of more than 3,700 stocks listed on the Nasdaq stock exchange. The Russell 3000 Index measures the performance of the 3,000 largest publicly held companies incorporated in the U.S. based on market capitalization. The Russell 3000 Value Index is based on the Russell 3000 Index, of companies with lower price-to-book ratios and lower expected growth rates which measures how U.S. stocks in the equity value segment perform. The Russell 3000 Growth Index is a market-capitalization weighted index that measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth rates. The Russell 1000 Index is a subset of the Russell 3000 Index and measures the performance of the 1,000 largest publicly-held companies incorporated in the U.S. based on market capitalization. The Russell 2000 Index is an unmanaged index that consists of the smallest 2,000 securities in the Russell 3000 Index, representing approximately 10% of the Russell 3000 total market capitalization. The Russell Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. One cannot invest directly in an index. A drawdown is a peak-to-trough decline during a specific period for an investment, trading account, or fund. The Bloomberg US Aggregate Bond Index is a broad base, market capitalization weighted bond market index representing intermediate term investment grade bonds traded in the United States. The Russell Microcap Index measures the performance of the microcap segment of the U.S. equity market. The Magnificent Seven is a term used to describe the technology-oriented, highly influential companies of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. A yield curve is a line that plots the yields, or interest rates, of bonds that have equal credit quality but different maturity dates.

*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are as of 6/30/24. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any securities.

Kornitzer Capital Management is the adviser to the Buffalo Funds, which are distributed by Quasar Distributors, LLC.